

Message Text

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ACTION EB-08

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TAGS: ETRD EAGR EPAP CU

SUBJ: SUGAR: PRELIMINARY CUBAN REACTION TO PROBABLE ITC
RECOMMENDATIONS

REF: STATE 94471

1. SUMMARY: CUBAN TRADE OFFICIAL CITES NEGATIVE IMPACT OF
PROBABLE ITC RECOMMENDATIONS AND URGES QUICK US RATIFICATION
AND IMPLEMENTATION OF INTERNATIONAL SUGAR AGREEMENT. END SUMMARY.

2. IN COURSE OF APRIL 13 DISCUSSION WITH ALBERTO BETANCOURT ROA,
DIRECTOR OF INTERNATIONAL ORGANIZATIONS, MINISTRY OF FOREIGN
TRADE, USINT OFFICER GAVE RUNDOWN ON PROBABLE INTERNATIONAL
TRADE COMMISSION SUGAR RECOMMENDATIONS REPORTED REFTEL.

3. BETANCOURT, WHILE PLEASED BY ASSURANCES THAT ADMINISTRATION
CONTINUES TO VIEW INTERNATIONAL SUGAR AGREEMENT (ISA) AS BASIS
FOR SUGAR POLICY, SAID THAT NEW TIC RECOMMENDATIONS WILL INCREASE
ALREADY STRONG LIKELIHOOD THAT LATIN AMERICAN SUGAR EXPORTERS
WILL LAUNCH HARSH ATTACK ON US SUGAR POLICIES DURING MAY MEETING
IN LONDON OF SUGAR COUNCIL. (FYI CUBANS, WHILE
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EXONOMICALLY DISTURBED BY US MEASURES, HAVE EXPLOITED US
SUGAR POLCY AS VEHICLE FOR POLITICAL GAIN IN LATIN AMERICA.
HECTOR RODRIGUEZ LLOMPART, MINISTER-PRESIDENT OF CUBAN STATE
COMMITTEE ON ECONOMIC COLLABORATION, FOR EXAMPLE, AT
APRIL 5 SELA MEETING CHARACTERIZED US SUGAR TARIFFS AND
FEES AND DECONCINI/UDALL TIN MEASURES, ALONG WITH EMBARGO
AGAINST CUBA, AS PART OF US "ECONOMIC AGGRESSIONS" AGAINST

LATIN AMERICA. JORGE BRIOSO, CUBAN SECRETARY-GENERAL OF GEPLACEA TOLD SELA THAT LATIN AMERICAN EXPORTERS BELIEVE THAT US SUGAR MEASURES "CONTRADICT" ISA. END FYI)

4. BETANCOURT SAID THAT MAIN OBJECTION THAT CUBA NOW HAS TO US SUGAR POLICY IS THAT UNCERTAINTY, CREATED BY: A) DELAY IN US RATIFICATION OF ISA (WHICH GENERATES SPECULATION ABOUT BREAKDOWN OF AGREEMENT AND OF EXPORT LIMITATIONS) AND B) POSSIBILITY THAT US WILL INSTALL A QUOTA (OF UNKNOWN MAGNITUDE AND FORM), HAS ACCELERATED EXPORTS TO US AND FREE MARKET GENERALLY WITH CONSEQUENT DEPRESSING EFFECT ON PRICES. BETANCOURT SAID THAT RAPID US MOVEMENT TO RATIFY ISA, AND PARALLEL QUICK PROGRESS ON PASSAGE OF IMPLEMENTING LEGISLATION, WOULD BE HIGHLY POSITIVE ACTIONS.

5. BETANCOURT ADDED THAT CUBANS WOULD, NATURALLY, BE DISTURBED IF COUNTRY-BY-COUNTRY SUGAR QUOTAS ARE INSTALLED. HE POINTED OUT THAT, AS FAR AS US ITSELF IS CONCERNED, COUNTRY-BY-COUNTRY QUOTAS WOULD SACRIFICE FUTURE FLEXIBILITY AND CONFRONT US WITH INTERMINABLE PROBLEMS OF ADJUDICATING QUOTA DISTRIBUTION AMONG VARIOUS EXPORTERS. (COMMENT: CUBANS ARE WELL AWARE THAT IMPOSITION OF COUNTRY-BY-COUNTRY QUOTAS WOULD MAKE EVENTUAL ENTRY OF CUBAN SUGAR INTO US MARKET, REGARDLESS OF FATE OF EMBARGO, EXTRAORDINARILY DIFFICULT. TO CITE JUST ONE LEGAL OBSTACLE - AMONG MUCH MORE FORMIDABLE POLITICAL ONES - CONFIDENTIAL

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SECTION 620 OF US FOREIGN ASSISTANCE ACT OF 1961 DENIES CUBA POSSIBILITY TO OBTAIN ANY SUGAR QUOTA UNTIL PRESIDENT DETERMINES CUBA HAS TAKEN APPROPRIATE STEPS "TO PROVIDE" EQUITABLE COMPENSATION TO US OWNERS OF EXPROPRIATED PROPERTY. THUS, FULL NEGOTIATION AND POSSIBLY ACTUAL PAYMENT OF ALL OUTSTANDING CLAIMS - A PROCESS WHICH COULD TAKE YEARS - MIGHT BE REQUIRED BEFORE CUBAN SUGAR - 85 PERCENT OF CUBAN EXPORTS - COULD ENTER US MARKET. US ABILITY TO USE EMBARGO LIFTING, EITHER PARTIAL, TEMPORARY OR TOTAL, AS BARGAINING CHIP WITH CUBA, THEREFORE, WOULD BE DRASTICALLY CIRCUMSCRIBED.)

6. FYI: MINISTER OF FOREIGN TRADE MARCELO FERNANDEZ FONT, IN CONVERSATION WITH VISITING COMMERCE DEPARTMENT OFFICIAL AND USINT OFFICER IN FEBRUARY, CHARACTERIZED US SUGAR POLICY TURN TO FIXED (FROM VARIABLE) FEE AS "HARD BLOW" TO SUGAR EXPORTERS. HE SAID THAT CUBANS UNDERSTOOD THAT US BEET SUGAR CROPS AND CORN SYRUP PRODUCTION WOULD INCREASE AS A RESULT OF THIS MEASURE AND THAT CARIBBEAN AND OTHER SUGAR WOULD, THEREFORE, INCREASINGLY BE THROWN INTO COMPETITION WITH CUBAN SUGAR IN NON-US MARKETS. FERNANDEZ FONT ADDED THAT US IMPOSITION OF FIXED FEE HAD REVERSED POSITIVE

IMPRESSION HERE OF US SUGAR POLICY THAT HAD BEEN CREATED
AS RESULT OF WASHINGTON'S DECISION TO NEGOTIATE AND SIGN
ISA. END FYI.

7. COMMENT: USINT WOULD PRESUME THAT RAISING OF FIXED FEE,
AS SUGGESTED BY PROBABLE ITC RECOMMENDATIONS, WILL INCREASE
CUBAN DISCOURAGEMENT BOTH WITH REGARD TO US POLICY
AND POSSIBILITIES FOR CUBA IN FREE MARKET COMMERCE.
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